

STATE OF LOUISIANA LEGISLATIVE AUDITOR

**Cameron Parish Waterworks
District No. 11
Bell City, Louisiana**

October 2, 2002



Investigative Audit

**Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor**

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Cameron Parish Waterworks District No. 11

October 2, 2002



**Investigative Audit
Office of the Legislative Auditor
State of Louisiana**

**Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor**

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DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

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October 2, 2002

MR. HAROLD S. SAVOIE, CHAIRMAN,
AND MEMBERS OF THE BOARD OF DIRECTORS
Bell City, Louisiana

Transmitted herewith is our investigative report of the Cameron Parish Waterworks District No. 11. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our finding and recommendations, as well as your response. Copies of this report have been delivered to the Honorable Glenn W. Alexander, District Attorney for the Thirty-Eighth Judicial District of Louisiana, and other authorities as required by state law.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle", is written over a large, stylized capital "D".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

SDP:SLC:DGP:dl

[CAMWW1102]

Executive Summary

Investigative Audit Report Cameron Parish Waterworks District No. 11

Highlights . .

Ms. Nunez admitted that she used District funds for her personal use. Those funds totaled \$82,232.

The District should implement policies and procedures to ensure that all funds are deposited properly and used for their intended purposes.

Finding (See page 5.)

From January 1, 2000, through June 30, 2002, Ms. Lori Nunez, former secretary for the Cameron Parish Waterworks District No. 11 (District), admitted that she used District funds for her personal use. Those funds totaled \$82,232. Ms. Nunez used the majority of this money to pay for personal charges on a District credit card and an unauthorized credit card that she obtained from Bank One. In addition, Ms. Nunez admitted that she took cash from the District for her personal use.

Recommendations (See page 9.)

We recommend that the District implement policies and procedures to ensure that all District funds are deposited properly and used for their intended purposes. These policies and procedures, at a minimum, should require the following:

1. Wire and telephone transfers of funds from District bank accounts should be prohibited.
2. Credit cards should be used for public purposes only.
3. Proper documentation and support should be attached to all payments.
4. Daily reconciliations should be prepared to ensure that all revenue is appropriately posted and deposited.
5. Separation of duties should be performed when feasible. If separation of duties is not feasible, there should be proper supervisory review to include periodic review of billings,

receipts, deposits, bills paid, and credit card statements.

Finally, we recommend that the District Attorney for the Thirty-Eighth Judicial District of Louisiana review this information and take appropriate legal action, to include seeking restitution.

Management's Response (*See Attachment I.*)

The board has implemented new policies and procedures.

The District Board has implemented the following policies and procedures:

1. Wire and telephone transfers are prohibited.
2. All credit cards were cancelled and will no longer be used.
3. Proper documentation and support will be attached to all payments.
4. An independent bookkeeper was hired to ensure daily reconciliations are prepared and that all revenue is appropriately posted and deposited.
5. A receptionist/secretary will be in charge of accepting payments, giving receipts, making daily deposits, and performing daily reconciliations. The independent bookkeeper is responsible for billing, posting, investments, and reconciling bank statements.

The Board terminated the previous receptionist/secretary and the previous bookkeeper.

The Board terminated the previous receptionist/secretary and the previous bookkeeper.

Background and Methodology

Cameron Parish Waterworks District No. 11 (District) is a component of the Cameron Parish Police Jury as defined by GASB Codification Section 2100. The District was created by the Cameron Parish Police Jury as authorized by Louisiana Revised Statutes 38:3811-21. The District is governed by a board of five commissioners appointed by the Cameron Parish Police Jury, who is responsible for providing water service within the boundaries of the District.

The procedures performed during this investigative audit consisted of (1) interviewing employees and officials of the District; (2) interviewing other persons as appropriate; (3) examining selected documents and records of the District; (4) making inquiries and performing tests to the extent we considered necessary to achieve our purpose; and (5) reviewing applicable state laws.

The result of our investigative audit is the finding and recommendations herein.

Finding

From January 1, 2000, through June 30, 2002, Ms. Lori Nunez, former secretary for the Cameron Parish Waterworks District No. 11 (District), admitted that she used District funds for her personal use. Those funds totaled \$82,232. Ms. Nunez used the majority of this money to pay for personal charges on a District credit card and an unauthorized credit card that she obtained from Bank One. In addition, Ms. Nunez admitted that she took cash from the District for her personal use.

The District employed Ms. Nunez as a secretary from July 1994 until June 2002. Ms. Nunez was primarily responsible for preparing, collecting, and posting water bills. During the period January 2000 through June 2002, Ms. Nunez used District funds totaling \$82,232 for her personal use. Ms. Nunez used or obtained these funds in the following manner:

1. Payments to an Unauthorized Credit Card	\$43,101
2. Personal Use of the District's Credit Card	22,332
3. Removal of Cash From Customer Payments and Petty Cash	13,464
4. Payments for Her Personal Bills	2,860
5. Improper Postings to Her Water Account	<u>475</u>
Total	<u>\$82,232</u>

Payments to an Unauthorized Credit Card

In September 2000, Ms. Nunez obtained a credit card from Bank One in the name of "Harold S. Chariman, Cameron Parish Waterwork." The mailing address on this card was originally the District's address; however, in November 2000, the mailing address was changed to Ms. Nunez's residence. Ms. Nunez admitted that she used this credit card account for personal purposes and that she transferred payments on the credit card by phone from the District's bank account. During the period September 2000 through June 2002, Ms. Nunez transferred \$43,101 from the District's bank account to Bank One to pay for her personal charges.

Ms. Nunez transferred \$43,101 from the District's bank account to pay for her personal charges.

Total charges to this credit card were actually \$57,094. Upon notification of possible fraudulent activity by the district after the investigative audit began, Bank One refunded the District for an \$8,359 payment and forgave an outstanding balance of \$5,634. Therefore, while the District suffered a loss of \$43,101 related to this credit card, Bank One suffered a loss of \$13,993.

Personal Use of the District's Credit Card

Ms. Nunez was assigned a District credit card to be used for expenses related to the District. During the period January 2000 through May 2002, Ms. Nunez charged \$22,332 to the District's credit card for purchases that appear to be personal in nature. Ms. Nunez admitted that she used this credit card to purchase jewelry from QVC and the Home Shopping Network, to pay for satellite television at her residence, and to purchase graduation items for her children. In addition, we noted numerous charges for grocery items at local grocery stores. The District paid for all of these charges.

Ms. Nunez charged \$22,332 to the District's credit card for purchases that appear personal.

Removal of Cash From Customer Payments and Petty Cash

As secretary, Ms. Nunez was responsible for collecting payments for customers' accounts. These payments are in the form of cash or checks. During the period August 1999 through May 2002, receipt books indicate that Ms. Nunez collected approximately \$12,473 in cash; however, we could not find any cash deposits into the District's bank account during that period. Ms. Nunez stated that she took cash from the District for personal purposes. Although

Ms. Nunez stated that she took cash from the District for personal purposes. Total cash missing from the District is \$13,464.

Ms. Nunez did not know the exact amount of cash she took, she estimated that the amount was about \$5,000 over the past year.

Ms. Nunez was also responsible for maintaining a petty cash fund for the District. Ms. Nunez obtained petty cash by making a check payable to herself. From January 2000 through December 2001, Ms. Nunez obtained \$1,377 for

petty cash; however, the petty cash receipts only total \$385. Therefore, \$991 is missing from the petty cash fund and not supported by proper documentation.

Total cash missing from the District is \$13,464.

Payments for Her Personal Bills

During the period July 2000 through February 2002, Ms. Nunez used District funds totaling \$2,560 to pay her personal cell phone bills and a bill for satellite television at her residence.

Ms. Nunez transferred these payments by telephone from the District's bank account to the cell phone and satellite television companies. In addition, on June 18, 2001, Ms. Nunez prepared a check payable to her son, Mr. Robert Nunez, for \$300. This check was negotiated on June 18, 2001. There is no supporting information for this payment on file with the District and the carbon copy of the check is missing. Mr. Robert Nunez provided part-time summer help to the District; however, he was paid directly by the police jury for that work.

Ms. Nunez also used District funds to pay her personal cell phone bills and a bill for satellite television at her residence.

Improper Postings to Her Water Account

From March 2000 to April 2001, payments totaling \$475 were posted to Ms. Nunez's personal water account at the District. We reviewed the District's records and were unable to find receipts or deposits that correspond with these postings. As mentioned previously, Ms. Nunez was responsible for posting all payments to the water accounts and preparing the related deposits.

Ms. Nunez stated that she used District funds to pay for personal charges on the unauthorized credit card and the District's credit card. Ms. Nunez also admitted that she took cash from the District for her personal use. Our review of the District's records shows that a total of \$82,232 is missing from the District as a result of Ms. Nunez's actions. These actions indicate possible violations of one or more of the following state laws:

A total of \$82,232 is missing from the District as a result of Ms. Nunez's actions.

- R.S. 14:67, "Theft"¹
- R.S. 14:134, "Malfeasance in Office"²

The actual determination as to whether this individual is subject to formal charge is at the discretion of the district attorney.

¹ R.S. 14:67 provides, in part, that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.

² R.S. 14:134 provides, in part, that malfeasance in office is committed when any public officer or public employee shall (1) intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; (2) intentionally perform any such duty in an unlawful manner; or (3) knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him or to perform any such duty in an unlawful manner.

Recommendations

We recommend that the District implement policies and procedures to ensure that all District funds are deposited properly and used for their intended purposes. These policies and procedures, at a minimum, should require the following:

1. Wire and telephone transfers of funds from District bank accounts should be prohibited.
2. Credit cards should be used for public purposes only.
3. Proper documentation and support should be attached to all payments.
4. Daily reconciliations should be prepared to ensure that all revenue is appropriately posted and deposited.
5. Separation of duties should be performed when feasible. If separation of duties is not feasible, there should be proper supervisory review to include periodic review of billings, receipts, deposits, bills paid, and credit card statements.

Finally, we recommend that the District Attorney for the Thirty-Eighth Judicial District of Louisiana review this information and take appropriate legal action, to include seeking restitution.

Attachment I

Management's Response

CHARLES PRECHT III
PRESIDENT
STEVE TRAHAN
VICE PRESIDENT
EARNESTINE T. HORN
ADMINISTRATOR
BONNIE W. CONNER
SECRETARY - TREASURER

POLICE JURY
PARISH OF CAMERON

P. O. BOX 366

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cppjury@camtel.net

DISTRICT 1
DUSTY SANDIFER

DISTRICT 2
STEVE TRAHAN

DISTRICT 3
CHARLES PRECHT III

DISTRICT 4
NORMA JO PINCH

DISTRICT 5
SCOTT TRAHAN

DISTRICT 6
JAMES DOXEY

September 10, 2002

Daniel G. Kyle, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804

Re: Waterworks District No. 11, Cameron Parish, LA

Dear Mr. Kyle:

The Cameron Parish Waterworks District No. 11 Board met and reviewed the findings from your recent report. The Board has implemented the following policies and procedures:

1. Wire and telephone transfers of funds from the District bank accounts are prohibited.
2. All credit cards were cancelled and will no longer be used by the District.
3. Proper documentation and support will be attached to all payments.
4. The Board hired an independent bookkeeper who will ensure that daily reconciliations are prepared and that all revenue is appropriately posted and deposited.
5. The Board has a receptionist/secretary who will be in charge of accepting payments, giving receipts for cash, depositing payments daily and makes a daily reconciliation. The independent bookkeeper does the billing, posting, investments and reconciles the bank statements.

The Board terminated the previous receptionist/secretary and the previous bookkeeper.

Please advise us to any other changes in policy and/or procedure that need to be made by this Board.

Sincerely,



Charles Precht, III, President
CAMERON PARISH POLICE JURY

CHARLES PRECHT III
PRESIDENT
STEVE TRAHAN
VICE PRESIDENT
EARNESTINE T. HORN
ADMINISTRATOR
BONNIE W. CONNER
SECRETARY - TREASURER

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STEVE TRAHAN

DISTRICT 3
CHARLES PRECHT III

DISTRICT 4
NORMA JO PINCH

DISTRICT 5
SCOTT TRAHAN

DISTRICT 6
JAMES DOXEY

September 9, 2002

Daniel G. Kyle, CPA
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804

Re: Legislative Auditor's Report of August 28, 2002
Cameron Parish Waterworks District No. Eleven

Dear Mr. Kyle:

Regarding the Legislative Auditor's Report received August 28, 2002, the Waterworks District 11 Board Members have no way of validating the amount of monies taken from Waterworks District No. 11. The Board has several questions of concern.

1. Cash Deposits:

Since August 1999 to May 2002 there is no evidence that indicates cash deposits in the bank. *Question: Since Lori Nunez did not work everyday, who collected these monies?*

We now make daily deposits and daily postings.

2. First USA Bank Credit Card:

Question: How were these cards obtained without board member knowledge?

The Board has cancelled all credit cards and will not use credit cards.

3. Sam's Club Credit Card with a \$10,000 Limit:

Questions: How and when was this card obtained? Who had possession and use of the cards? How was payment issued on the card?

The Board has cancelled this credit card.

4. Information of Lost or Stolen Credit Cards:

Information of First USA Bank Credit Cards:

Questions: Why was this information kept out of the financial reports? Why were the cards not cancelled? Why was information not brought out concerning the credit cards at a board meeting?

The board hired an independent bookkeeper to include all information in financial reports to be presented to the Board at their meetings.

5. Water Meters Not Posted in Billing Cycles:

Some of the meters date as far back as 1998. *Question: Since this is a loss to the District, who is responsible for this loss?*

The Board is in the process of locating the customers that these meters belong to.

6. Cameron State Bank Transactions: *Question: Did Lori Nunez have authorization at Cameron State Bank to make transactions by use of telephone or other means?* No telephone transactions are allowed.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles Precht III". The signature is stylized with a large "C" and "P".

Charles Precht, III, President
CAMERON PARISH POLICE JURY